

fs viewpoint

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A matter of trust:
Managing individual
conflicts of interest for
financial institutions



pwc

Point of view



Financial services institutions are facing mounting pressure and scrutiny from regulators, shareholders, media, and the public with respect to individual conflicts of interest.

Organizations that establish programs to find and mitigate individual conflicts of interest likely pay less to administer such programs than to repair financial standing and/or reputation.

Benefits include:

- Insulating the organization from heightened regulatory scrutiny.
- Safeguarding the bottom line.
- Protecting the brand and reputation.
- Creating public trust in the organization.
- Promoting the organization to clients, employees, and prospects as a responsible corporate citizen.

“Regardless of whether the financial industry merits its current ugly reputation, it needs to introduce tactical countermeasures and implement fundamental change if it wishes to redeem its image. Although the tactics are specific, additional effort should be spent to further develop strategies for fundamental change.”¹

Ethics and compliance functions that proactively manage individual conflicts of interest can prevent costly reputational and financial damage to the organization. It is also just good business.

¹ “The fragility of trust and the vital role of reputation; Does the financial services industry deserve its poor reputation and what does it need to do to rebuild it?” Goering, Richard. Financial News. April 9, 2012.

A lack of a comprehensive and effective program can hamper the disclosure and management of individual conflicts of interest, potentially resulting in regulatory and civil penalties, along with collateral damage to a company's brand and reputation.

In November 2010, a chief compliance officer and two advisory firms were charged with failing to have adequate policies and procedures in place to prevent the misuse of nonpublic information, resulting in fines, censures, and cease-and-desist orders. (In the Matter of Buckingham Research Corp., et al.)

In February 2009, a broker-dealer firm supervisor was charged with failing to reasonably supervise a managing director who engaged in insider trading—allegedly by selling shares short in his own account while in possession of material nonpublic information obtained through a solicitation to participate in a private investment in public equity transaction. The supervisor was charged with failing to follow up on red flags indicating that the managing director's trading was questionable. The supervisor paid a fine, and the firm paid more than \$8 million in disgorgement and interest. (In the Matter of SG Americas Securities, LLC, et al.)

A financial services executive who allegedly had nonpublic information about the impending failure of the auction rate securities market sold his entire holdings before the auctions occurred. The executive was charged with insider trading and settled the case for \$2.75 million. (NY v. Shulman)

This scrutiny has originated, in part, from the behaviors of individuals who failed to recognize or act appropriately in conflict-of-interest situations.

An individual conflict-of-interest situation arises when the holdings or relationships of an individual (including close family members) potentially affect the ability to perform duties and responsibilities objectively. This may:

Impair an individual's objectivity	Create an unfair competitive advantage for a person or organization	Result in personal financial gain from access to material nonpublic information	Put personal interests before organization responsibilities and interests	Impair job effectiveness, organizational mission	Damage an organization's reputation and compromise its credibility
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Individual conflicts of interest are most frequently identified after the conflicts are exploited for financial or personal gain. They may even occur when individuals are unaware of a potential conflict of interest.

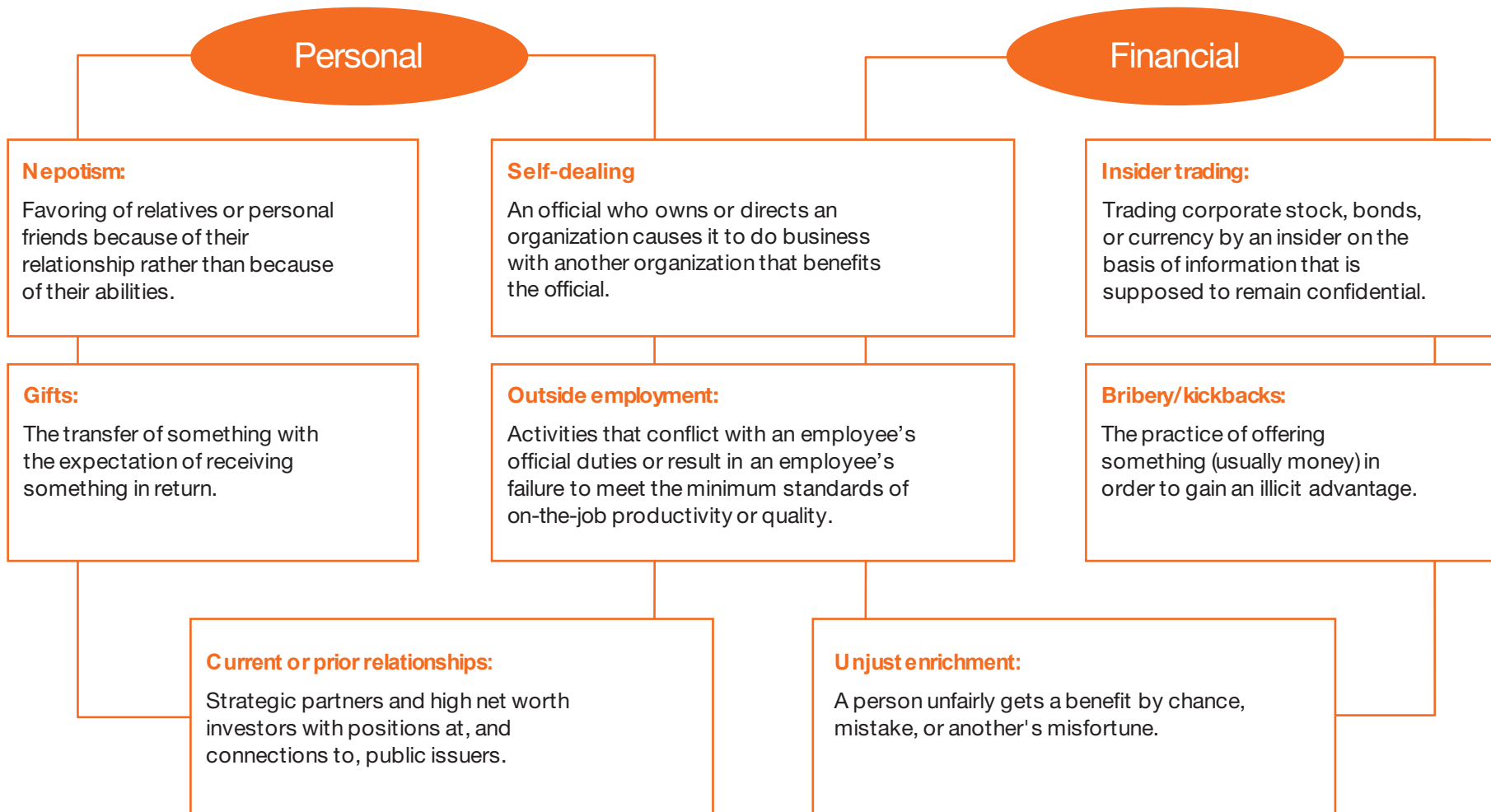
Types of individual conflicts of interest (COI) may include, but are not limited, to:

- An **actual** conflict of interest occurs when there is a conflict between the private interests and the official responsibilities of a person in a position of trust, and challenges arise to fulfilling one's duties impartially.
- An **apparent** conflict of interest is a situation in which a reasonable person, with knowledge of the relevant facts, would

question the impartiality of the individual in the matter being considered. The appearance of a conflict can cause the same reputational risk as an actual conflict.

- A **potential** conflict of interest is a scenario that has not yet occurred, but that could occur in certain circumstances in the future.
- A **political** conflict of interest occurs when an individual utilizes business relationships for personal gain.

From nepotism to insider trading to bribery and kickbacks, financial institutions are bombarded with potential individual conflicts of interest.



Leading institutions have established conflict-of-interest programs to proactively manage and mitigate potential issues based on the following principles.



A successful conflict-of-interest program:

- Sets the right tone. Independence programs are largely honor-based programs with some form of verification, such as sampling of disclosures. A good conflict-of-interest program will not only reveal potential individual conflicts of interest, but educate and encourage personnel with regard to preventing and avoiding conflicts of interest.
- Establishes an ethical organizational culture that avoids all four types of individual conflicts of interests.
- Promotes accountability and transparency.
- Takes a risk-based approach to program design and management, focusing more time and resources on areas and individuals with a higher inherent risk of possible conflicts of interest.
- Continuously assesses personnel for actual, apparent, potential, or political conflicts of interest.
- Includes both financial interests and other personal and outside interests to evaluate relationships with vendors, investors, partners, and other outside entities.
- Implements a plan to manage a conflict of interest should one be discovered.

Challenges to implementation include cultural issues, confidentiality concerns, and defining and measuring success. Top-down support is critical in overcoming these obstacles.

Cultural change

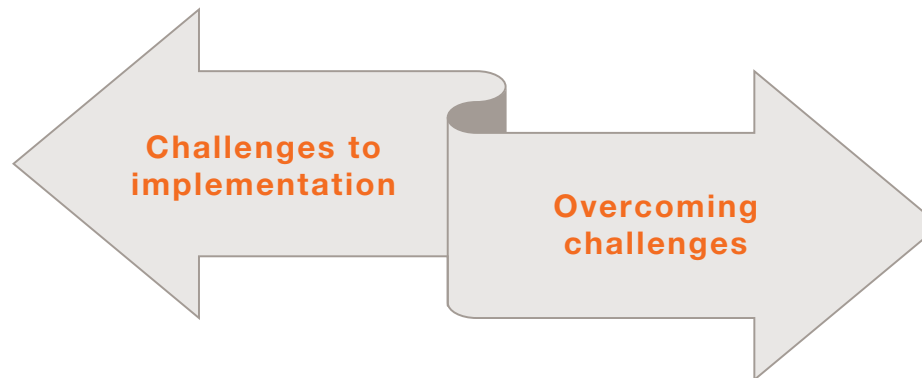
Employees—often from diverse nations with varying cultures—are generally resistant to disclosing sensitive personal information, including information not directly related to their jobs (such as names of relatives who work for competing or partner organizations).

Confidentiality

Employees are often concerned that their personal information will not remain confidential.

Definition of success metrics

It is difficult for organizations to quantify the benefits of an investment in a COI program even though the return on investment—such as preventing a loss of reputation—can be enormous.



Tone at the top

The executive leadership of the organization must demonstrate strong support for avoiding conflicts of interest. There must be clear and well communicated rules governing COI—and significant, immediate consequences for employees who violate the rules and expose the organization to risk.

Transparency

Transparency must be the guiding principle for employee actions at every level of the organization. Institutions can develop and apply their litmus test: Would this action be embarrassing or damaging to the organization if it appeared on the front page of a newspaper?

Competitive intelligence



*Our observations of
industry practices.*

The following are practices we observe in the industry. How do you compare?
















Governance and organization			
Conflict-of-interest program components	Institution A	Institution B	Institution C
Tone at the top	<div> <div></div> <div>As a result of being a regulated entity, the organization's conflict-of-interest program receives significant leadership support and proactive tone from the top.</div> </div> <div> <div></div> <div>Compliance culture is engrained in the institution. Anyone with a brokerage license or in a significant position within the organization knows about the program and related requirements.</div> </div>	<div> <div></div> <div>Leadership is committed to preventing individual conflicts of interest and addressing them when they arise. However, leadership does not want to be burdened with too many administrative details.</div> </div> <div> <div></div> <div>Program participants are willing to comply with conflict-of-interest recommendations. Culture is generally very compliance-minded, and employees demonstrate a willingness to be transparent.</div> </div>	<div> <div></div> <div>Organization holds itself to a high standard due to its global reputation and mission. However, commitment throughout the organization is uneven depending on the level of understanding and commitment of individual leaders.</div> </div> <div> <div></div> <div>Most program participants are very compliance-minded. However, a relatively small minority of participants are less responsive. The organization has begun to focus on accountability by levying fines on non-compliant individuals.</div> </div>
Structural design	<div> <div></div> <div>Internal legal function responsible for compliance monitoring and reports to the Chief Legal Officer.</div> </div> <div> <div></div> <div>Dedicated resources, both internal and external.</div> </div>	<div> <div></div> <div>External compliance office that reports to the ethics committee</div> </div> <div> <div></div> <div>Dedicated resources, both internal and external.</div> </div>	<div> <div></div> <div>Internal ethics office reports to the President.</div> </div> <div> <div></div> <div>Dedicated resources, both internal and external.</div> </div>

**The following are practices
we observe in the industry.
How do you compare?**

Policies and procedures			
Conflict-of-interest program components	Institution A	Institution B	Institution C
Formal written policy	<ul style="list-style-type: none"> All senior management positions, plus relevant high-risk staff positions, are subject to the program. Participants must disclose all financial information including assets, liabilities, and outside interests (with and without compensation). Certain employees must disclose their personal trading confirms and arrange to have brokerage monthly account statements provided regularly to their COI office. This allows the COI office to monitor activities in employee personal accounts. 	<ul style="list-style-type: none"> All board members and their advisors, plus relevant high-risk staff positions, are subject to the program. All assets, liabilities, and outside interests (with and without compensation) must be disclosed, assuming they meet specific program criteria regarding de minimis thresholds. Compliance standards have been established to ensure that employees complete annual certifications and respond to follow-up questions in a timely manner. 	<ul style="list-style-type: none"> All employees in leadership positions and major staff classes are subject to the program. All assets, liabilities, and outside interests (with and without compensation) must be disclosed, assuming they meet specific program criteria regarding de minimis thresholds. The program aims to mitigate any potential individual conflicts of interest it identifies by providing the staff member with specific recommendations, such as requiring approval before making a transaction, recusing himself/herself from any dealings with the restricted entity.
Training, education, and awareness	<ul style="list-style-type: none"> Requires annual certification and training. 	<ul style="list-style-type: none"> Requires annual certification and training. 	<ul style="list-style-type: none"> Requires annual certification and training.







 Leading
  On Par
  Lagging

**The following are practices
we observe in the industry.
How do you compare?**















Policies and procedures			
Conflict-of-interest program components	Institution A	Institution B	Institution C
Communication and strategy	 Communication occurs frequently (monthly) about compliance obligations. Semi-annual training and certification is required for participants. Compliance hotline used for employees to report potential issues.	 Communicates importance of program in kick-off package, but does not educate employees on past conflict situations. Employees have ability to anonymously report conflict of interest situations to the Ethics Officer.	 Communications occur primarily during the annual certification period with little or no ongoing communications throughout the year.
Assessment and escalation	 Monitoring and reporting occur before the event (pre-clearing), during the event (execute and report), and after the event (monitor portfolio).  The enforcement protocols include penalties, fines, and disciplinary actions that are aligned with the nature and significance of the violation.	 All monitoring and reporting is ex post. All statements filed pertain to holdings at the end of the previous calendar year.	 All monitoring and reporting is ex post, statements filed pertain to holdings at the end of previous calendar year.  Resolution of conflict situations can be slow, exposing the organization to risk while the situation is under review.  Ongoing monitoring of conflict situations and compliance with resolutions is not systematic.
Periodic reassessment	 The program is reviewed annually by internal audit and by the relevant regulatory bodies.  Continuous improvement is embraced with major changes being rolled out annually.	 The program is reviewed at least annually with senior management and the ethics office.  Changes are not regularly made based on historical trends and incidents.	 The program is reviewed at least annually with senior management and the ethics office.  Over the past several years, the program has matured, moving from using a manual submission process to an electronic one.

 Leading
  On Par
  Lagging

The following are practices we observe in the industry. How do you compare?

Analytics and reporting			
Conflict-of-interest program components	Institution A	Institution B	Institution C
Reporting	 Minor infractions are met with warnings; repeat violations result in significant enforcement actions.	 Individual conflicts are evaluated and managed based on materiality and relevance to the job function. Enforcement measures include divestiture, recusals, or asset freezes.	 No verification of disclosures is conducted.
Metrics	 Perform detailed tracking of each employee required to participate to ensure 100% compliance with training, certification, and submission activities. Non-compliance is followed by disciplinary action.	 Track submission rate and completion rates as well as conflict types and resolutions. Employees' understanding of program is assessed through tracking of calls to help desk and follow-ups required to complete disclosures. Metrics are only shared with ethics committee and not a broader audience.	 Track submission rate and completion rates, as well as conflict types and resolutions.

**The following are practices
we observe in the industry.
How do you compare?**

Technology			
Conflict-of-interest program components	Institution A	Institution B	Institution C
Communications	 Reports and e-mail alerts are used to manage the program and changes to permitted investment lists.	 Paper-based disclosure forms are downloaded by program participants and submitted manually.	 Online announcements and email communications are used to manage the program.  Participants submit disclosures online through a technology platform.
Record keeping and reporting	 An integrated tool set is provided to track personal portfolios, trading accounts, and investment activities.	 A combination of end-user tools such as forms, spreadsheets, and simple databases are used to standardize employee filings, track submissions, and document compliance incidents and enforcement actions. Reports are manually created and distributed on a regular basis and include trending over multiple periods.	 The conflict-of-interest program uses a technology platform to collect financial information and administer the program.  System-based reporting is limited, requiring manual maintenance of external spreadsheets for recordkeeping and reporting.
Access restrictions	 Some retail brokers provide integration capabilities, enabling participants to restrict trading to allowable securities.	 Disclosures are maintained on paper and housed in a secure room. Only tracking tools and conflict summaries are maintained in an electronic format which is only accessible by external compliance staff.	 System access is restricted to approved users, and participants can access only their individual forms.
Maintenance and tracking	 Data is well secured and backed up on a regular basis.	 Data is well secured and backed up on a regular basis.	 Data is well secured and backed up on a regular basis.

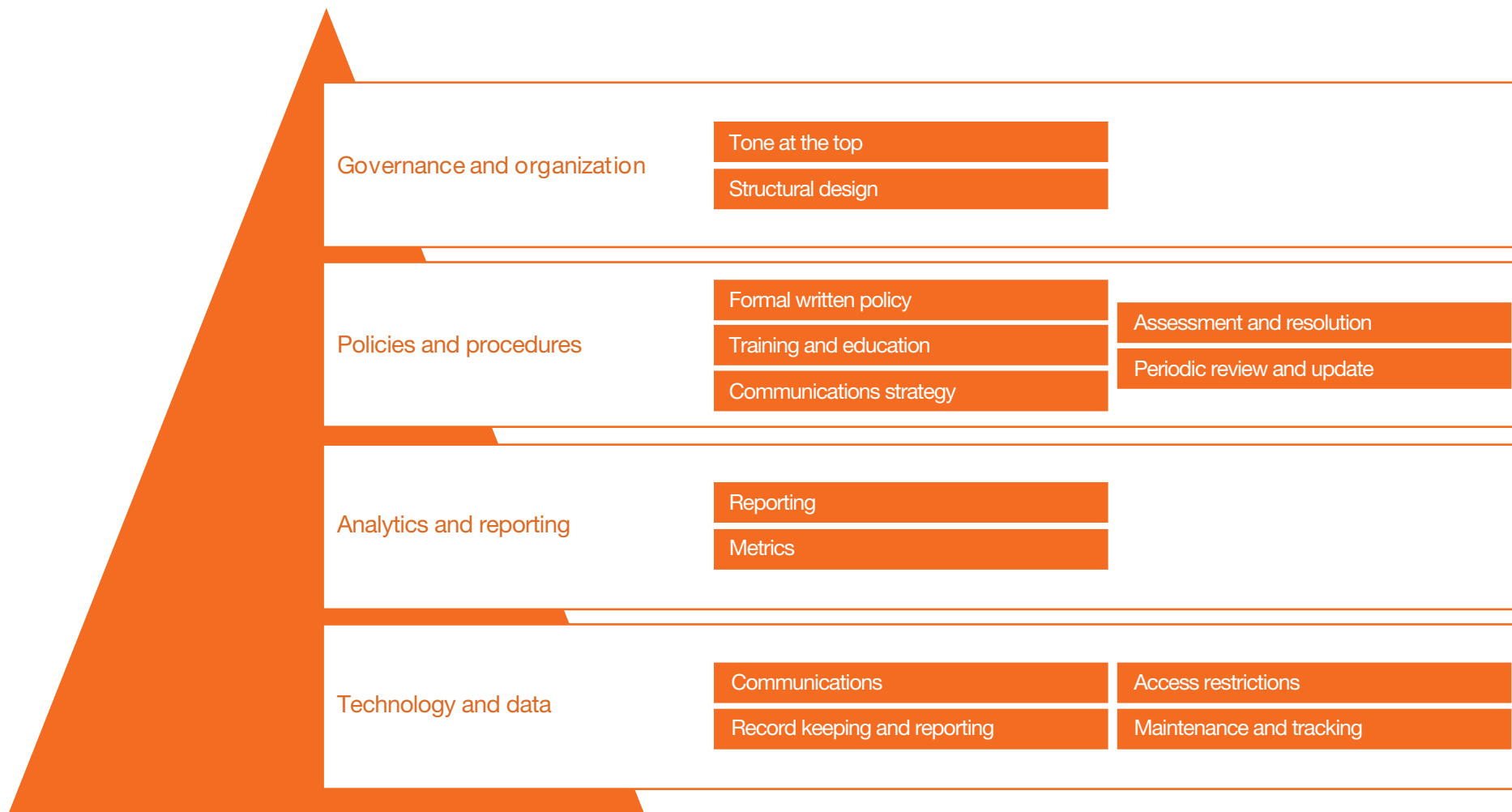
 Leading
  On Par
  Lagging

A framework for response



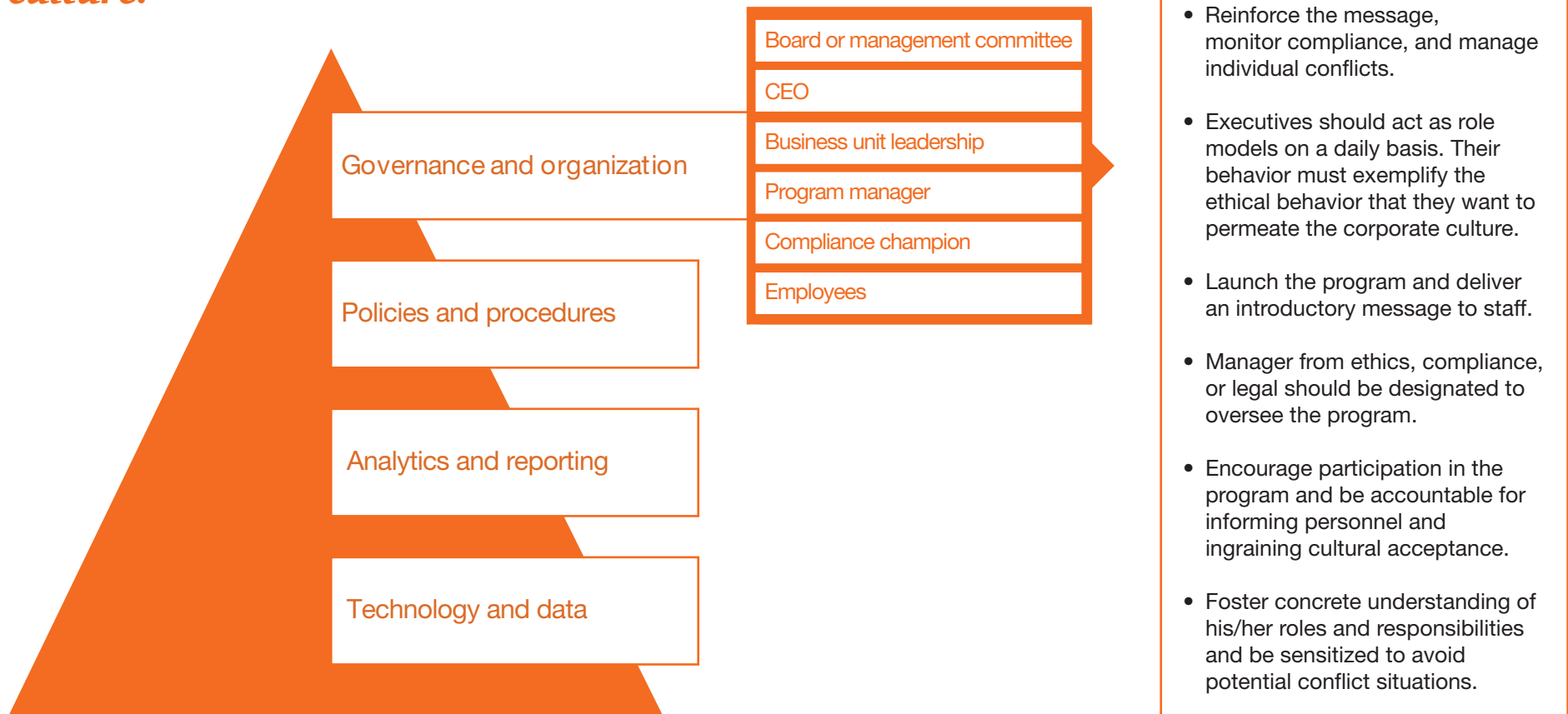
*Our recommended approach
to the issue.*

An effective framework for individual conflict-of-interest management in financial institutions is based on the following principles.



The tone for avoiding individual conflicts of interest should be set at the top. Leadership should embrace a management program and embed its ideals into the corporate culture.

Risk management cannot be “subcontracted” to specific functional areas but must be owned and understood by the business units and senior management. Individuals and senior management should be the first line of defense to prevent and identify possible conflicts of interests.



The structural design of the individual COI management program should depend on various factors.



In some organizations, oversight of ethics and compliance programs is the duty of one or more senior corporate officers. In others, human resources runs the program but reports directly to the senior ethics officer.

Decisions on the degree of centralized oversight will vary among institutions and should be based upon a clear understanding and execution of the enterprise-wide conflict-of-interest framework, contemplation of regulatory guidance and preferences, and consideration of the complexities of interactions between the parent and the subsidiaries.

Regardless of the structural design that is chosen, specific people should be designated and have the authority to report matters. Matters should be reported directly to independent monitoring bodies such as internal audit committees, boards of directors, or to supervisory boards. If the program is administered by an independent third party, the role of reporting matters is likely to be taken on by an external compliance officer.

Financial services organizations may wish to involve an independent third party to serve as the external conflict-of-interest management compliance function.

The benefits of this type of arrangement include:

True independence, in both fact and appearance, of the external compliance function and the management of the financial institution.

Increased knowledge and application of industry leading practices based on the external compliance function's experience and reputation with other financial institutions.

Increased ability of the financial institution to focus on core business objectives, leaving peripheral yet potentially costly activities to trusted third parties.

In order to maintain the integrity of the program, the roles of the independent third party and the internal group overseeing conflicts of interest should be separated and clearly defined.

An organization's individual COI management program should be guided by a formal written policy.



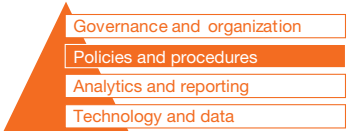
Financial institutions should have a comprehensive set of policies and procedures in place that describes the fundamental aspects of their approach to conflict-of-interest management.

As policies and procedures form the foundation of the institution's conflict-of-interest framework, the documents should be of a sufficient breadth and depth to guide the actions of the individuals and functional groups across geographies, promoting a consistent and uniform approach to managing the institution's conflict-of-interest risk profile. Elements that should be covered in the policy framework include:

- Staff levels and roles that are subject to the program. Participation should be based on risk-based review of participant groups.
- Clear definitions of the conflicts of interests in scope, i.e., types of interests and activities that must be disclosed.
- Mandates and principles to be applied in managing conflicts of interest.
- Timeframe and frequency of disclosure.
- Specific controls for exceptions to policies and limits, including necessary approvals, escalation procedures, compliance monitoring, and consequences of failing to follow written guidelines.
- Roles and responsibilities of functional support groups, such as human resources, ethics, compliance, and technology help desk.
- Required reports and metrics, including key assumptions.
- Document retention requirements.

The policy framework should incorporate and reflect guidance from relevant industry groups and supervisory agencies. The guidance provided by this framework for the oversight of conflicts of interest extends to both the enterprise and subsidiary levels.

Initial and continuous training should be required to help ingrain the COI management program into the corporate culture.



Training is an integral part of an organization’s business code of conduct but should not be generic or one-size-fits-all.

Individual conflict-of-interest management training	
Promote:	Training element:
<ul style="list-style-type: none">• Overall awareness and understanding.	<ul style="list-style-type: none">• Identify key terms related to individual conflicts of interest.• Identify rules and regulations governing potential conflicts of interest, including institution-specific guidelines, responsibilities, obligations, and prohibitions.
<ul style="list-style-type: none">• Understanding of what applies to each employee and why.	<ul style="list-style-type: none">• Use situations that your employees encounter to illustrate real-life risks.
<ul style="list-style-type: none">• Understanding of consequences of noncompliance.	<ul style="list-style-type: none">• Use real enforcement cases to demonstrate consequences. Always involve senior management in delivering key messages.
<ul style="list-style-type: none">• Understanding of grey areas and how to reach out when the employee has questions.	<ul style="list-style-type: none">• Scenario-based situations consisting of institution-specific examples.
<ul style="list-style-type: none">• Understanding of controls that are in place.	<ul style="list-style-type: none">• Scenario-based situations consisting of institution-specific examples.

The policy should include both internal and external communications strategies.

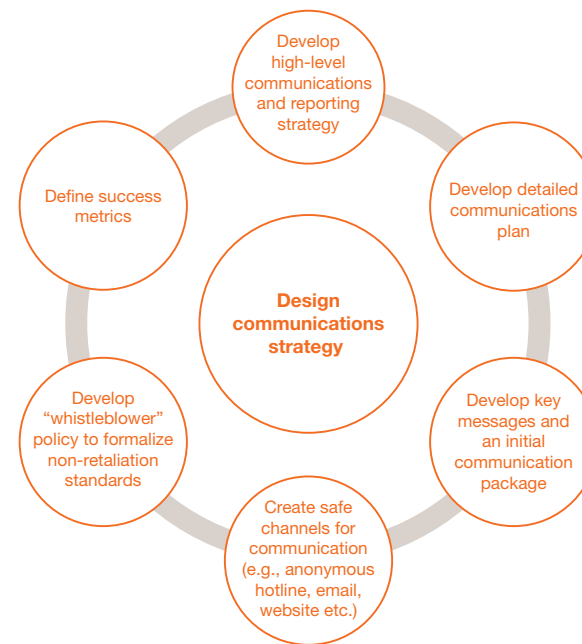
Governance and organization
Policies and procedures
Analytics and reporting
Technology and data

Having a formal policy in place is not enough, because:

Policies and penalties should be robust, communicated throughout the organization, and enforced in a visible manner.

Management should convey a clear message that the organization is actively seeking to detect conflicts of interest and will enforce appropriate penalties from leadership down.

Organizations should consider providing a help-desk function to advise staff on solutions for managing individual conflicts of interest.



Individual assessments and escalation procedures should be formalized.

Governance and organization

Policies and procedures

Analytics and reporting

Technology and data

Conduct individual employee assessment

- Collect disclosure data from program participants. Communications with participants, which cover e-mail, phone calls, and meetings, should be kept confidential.
- Review information against restricted lists and conflict-of-interest policy guidelines to determine potential issues based on individual's role and responsibilities.
- If a potential conflict of interest exists, follow established procedures for escalation.
- If no potential conflicts exist, document disclosure as required.

Escalation procedures

For identified potential conflicts, follow escalation protocols including:

- Determine preliminary resolution of conflict based on facts and circumstances.
- Present generic facts to client designees, including ethics officer as appropriate, to gain consensus on preliminary resolution.

Recordkeeping and reporting

- Document conflict and manner of resolution, including employee acknowledgment of resolution.
- Transactions should be thoroughly documented, for example, how the organization identified different types of conflicts and responded to these conflicts.
- Metrics, including conflict types and resolutions, should be developed and shared with appropriate personnel.

Resolution procedures

- Conduct conflict meetings with program participant.
- Discuss individual's roles and responsibilities and potential resolution of conflict by individual.
- Fully document individual conflicts of interest and their manner of resolution.

Conflict-of-interest management programs should be periodically reviewed and updated to reflect changing risks.



Leading organizations periodically review their policies, procedures, and controls, and update their policies to accurately reflect current approaches to managing conflicts of interest.

Organizations should adopt a systematic approach to identification, assessment, and management. Applying risk management principles can help business leaders think through informed, rational, and value-creating decisions where conflicts of interest may be emerging. Techniques that can be used to screen for external events include:

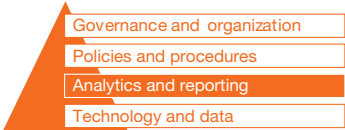
- Facilitated discussion of conflict-of-interest scenarios and emerging conflicts by business leaders and functional heads as well as internal and external experts.
- Risk and control self-assessments by business and functional groups.
- Periodic risk-based review of participant groups should be conducted to confirm or modify participation and frequency.
- Tracking of actual conflict-of-interest events occurring elsewhere in the industry, or in related industries.
- Dashboards of business environment and internal control indicators.
- Identification of regulatory changes which may impact the organization.

Leadership should clearly understand regulatory requirements related to conflicts of interest and receive regular reports on how internal conflicts have been identified and remediated.

To proactively address conflicts of interest, leadership should:

- Understand the regulatory environment and the expectation of regulators regarding individual conflict-of-interest programs.
- Identify areas of uncertainty with respect to regulatory expectations and seek clarification.
- Review operating reports provided to regulators or law enforcement bodies on individual conflict-of-interest management, compliance, and reporting.

In our experience, leading financial institutions develop clear analytics and reporting frameworks that protect confidential information while providing appropriate information.



Conflict-of-interest reporting should be designed to:

- Convey the methods used and metrics gathered.
- Be distributed to an appropriate audience within the organization, with consideration given to how reports are used by management and the board.
- Not include confidential information gathered from individual disclosure forms.

Individual conflict-of-interest metrics should be designed to capture the following:

Participants' compliance with policies and procedures:	Individual conflicts and associated resolutions:	Understanding of the program:
<ul style="list-style-type: none">• Overall submission rate.• On-time completion rate.• Responsiveness to requests for additional information.• Forms submitted by the date of the final report.• Forms submitted by the submission deadline date.• Participants referred for non-responsiveness.	<ul style="list-style-type: none">• Conflict type.• Resolution type (such as divestiture, freeze, recusal).	<ul style="list-style-type: none">• Disclosures requiring follow-up for incompleteness or clarification.• Participants contacting the help desk with questions concerning the completion of their forms.• Participants contacting ethics office to receive pre-clearance on investments.• Participants contacting ethics office to self-report potential violations.• Participants contacting ethics office to report potential violations for other employees.

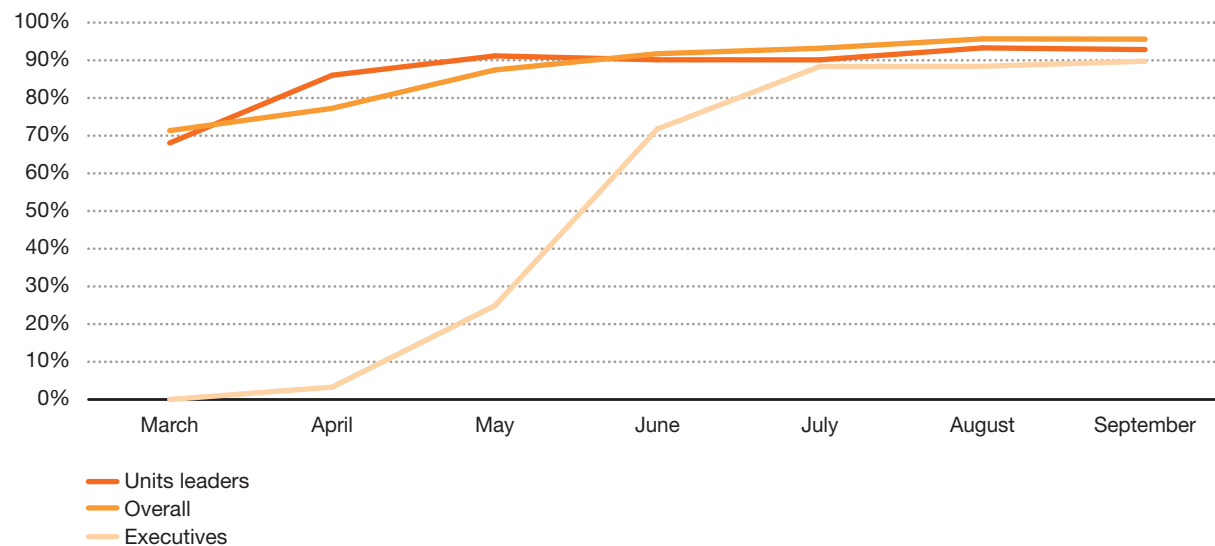
Organizational conflict-of-interest metrics should be designed to capture the following:

- The number of items identified to be in possible conflict.
- The type of conflict and resolution recommendations provided to board and staff members.
- The type and significance of the items deemed to be in possible conflict.

In our experience, leading financial institutions develop clear analytics and reporting frameworks that protect confidential information while providing appropriate information.

Governance and organization
Policies and procedures
Analytics and reporting
Technology and data

2011 Program submission rates



Reports generated are detailed at various levels, including overall, for unit leaders and executives; this detail should be available in a timely manner.

Comparison of year over year submission rates (as of 10/1)

Employee level	Current year	Previous year	Difference
Overall	95.61%	96.03%	-.42%
Unit leaders	92.84%	96.41%	-3.57%
Executives	89.76%	81.25%	+8.51%

Results can be compared against the previous year.

Technology can be a powerful ally in monitoring, escalating, and remediating individual conflicts of interest, especially for larger programs.



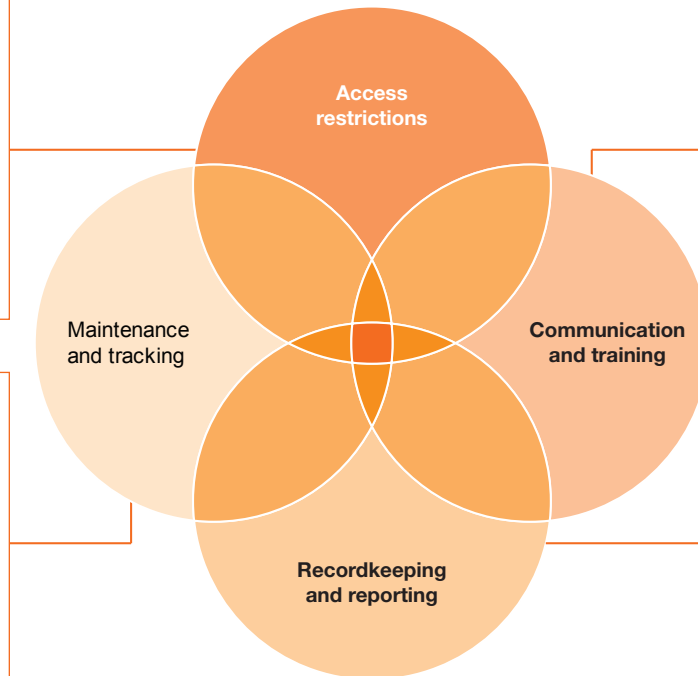
Financial institutions can boost conflict-of-interest monitoring and management through IT solutions that facilitate communication and training, recordkeeping and reporting, maintenance and tracking of potential issues, and provide appropriate access restrictions.

Access restrictions

- Offer a secure yet accessible user interface in a secure IT environment to allow access and review to be performed from any location.
- Exercise a need-to-know policy to maintain restricted access to confidential information. Specifically, IT should have access to all records involved in the evaluation of potential conflicts of interest while management should have only restricted access to some of the records to ensure zero breaches of confidentiality.

Maintenance and tracking of potential issues

- Maintain a secure central repository for all information submissions, correspondence, and work products, including archives of analysis conducted in previous years to track the evolution of a conflict of interest.
- Maintain an active audit trail of information submission, analysis, and correspondence.
- Manage individual conflicts that require confidential treatment when disclosure is not a viable remedy.



Communication and training

- IT solution should be designed for ease of use to minimize inconvenience imposed on organization, participants, and third-party reviewers.
- Facilitate communication between the third-party reviewers and the organization/participants by accommodating submissions in various formats and converting them to a standardized electronic format.

Recordkeeping and reporting

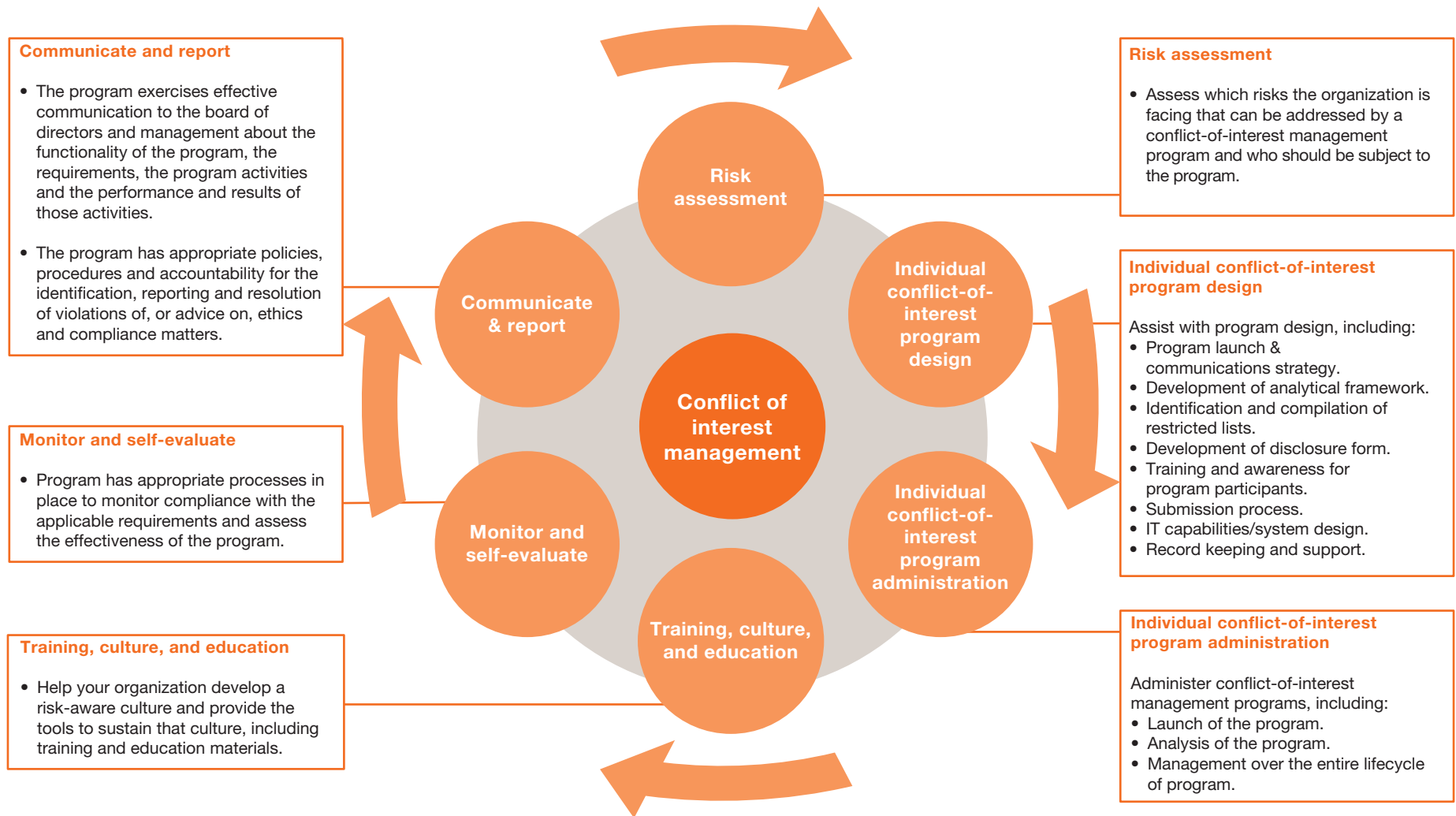
- Offer a robust reporting functionality to produce in-depth, summary-level, and dashboard reports from large quantities of discrete data.
- Apply management information systems to record the extent and mitigation of individual conflicts of interest.
- Document the measures taken to control and manage conflicts of interest, including clearance processes for routine, day-to-day transactions.

How PwC can help



*Our capabilities and
tailored approach.*

Core competencies related to individual conflict-of-interest programs.



Core competencies related to governance, risk, and compliance.

Risk management	<ul style="list-style-type: none"> • Assess and benchmark risk management function and framework. • Build an enterprise-wide framework for identification and management of financial, business, and operational risks. • Develop testing programs. • Assist with development and implementation of risk management technology solutions.
Regulatory compliance	<ul style="list-style-type: none"> • Assist clients in issuing accurate and timely regulatory reports, including newly required reports. • Help clients ensure that they are making full and accurate disclosures to all relevant investors and clients. • Evaluate, design, and implement compliance programs. • Perform mock regulatory compliance exams. • Perform attest reports on the effectiveness of compliance control objectives. • Advise and help develop and/or deliver effective compliance training programs. • Evaluate risk and compliance resources. • Assist with cost reduction of existing compliance program.
Internal controls/ internal audit	<ul style="list-style-type: none"> • Perform internal control exams and readiness assessments. • Assist with Sarbanes-Oxley readiness and ongoing compliance. • Assist organizations in establishing and/or running an internal audit function. • Provide consulting services that address the key concerns of internal auditors.
Governance/board communications	<ul style="list-style-type: none"> • Assist with identifying external benchmarking data and key performance indicators. • Evaluate the governance structure and framework for regulatory compliance. • Help clients develop adequate controls to ensure that all investments and holdings are consistent with disclosures made to clients and applicable restrictions. • Help clients develop appropriate controls to seek efficient execution and to prevent and detect trading violations involving short selling, offerings, and manipulation. • Evaluate effectiveness of controls.
Forensics and investigations	<ul style="list-style-type: none"> • Perform forensic investigations. • Provide expert testimony. • Evaluate existing fraud prevention programs.
People and change	<ul style="list-style-type: none"> • Advise and help develop and/or deliver effective training programs.

What makes PwC's Financial Services practice distinctive.

Integrated global network	With 34,000 industry-dedicated professionals worldwide, PwC has a network that enables the assembly of both cross-border and regional teams. PwC's large, integrated global network of industry-dedicated resources means that PwC deploys the right personnel with the right background on our clients' behalf whenever and wherever they need it.
Extensive industry experience	PwC serves multi-national financial institutions across banking and capital markets, insurance, the asset management/hedge fund/ private equity industry, payments and financial technology. As a result, PwC has the extensive experience needed to advise on the portfolio of business issues that affect the industry, and we apply that knowledge to our clients' individual circumstances.
Multidisciplinary problem solving	The critical issues financial services companies face today affect their entire business. Addressing these complexities requires both breadth and depth, and PwC service teams include specialists in strategy, risk management, finance, regulation and technology. This allows us to provide support to corporate executives as well as key line and staff management. We help address business issues from client impact to product design, from go-to-market strategy to operating practice across all dimensions of the organization. We feel equally comfortable helping the heads of business and the heads of risk, finance, operations and technology and have helped clients solve problems that cross all of these areas.
Practical insight into critical issues	In addition to working directly with clients, our practice professionals and Financial Services Institute (FSI) regularly produce client surveys, white papers, and points of view on the critical issues that face the industry. These publications—as well as the events we stage—provide clients new intelligence, perspective, and analysis on the trends that affect them.
Focus on relationships	PwC US helps organizations and individuals create the value they're looking for. We're a member of the PwC network of firms with 169,000 people in more than 158 countries. We're committed to delivering quality in assurance, tax, and advisory services.

Appendix



Select qualifications.

Independent advisor for financial disclosure program— Large international development bank

Issues	<p>The client requested the assistance of an independent advisor to manage a newly established independent review office, responsible for identifying and tracking individual financial conflicts of interest from its staff members' personal financial interests and outside activities.</p>
Approach	<p>PwC performed the following:</p> <ul style="list-style-type: none">• Assisted with the design and implementation of a program to effectively distribute, administer, collect, and review financial disclosure forms for specific employees of the institution.• Developed an analytical review framework in order to evaluate each individual item disclosed on the financial disclosure forms.• Assisted with analysis of submitted financial disclosure forms to evaluate whether an actual, apparent, or potential financial conflict of interest may exist between the staff members' personal holdings and the client's activities and interests.• Provided monthly status reports during the engagement and a final report and presentation that summarized the results of the annual program.• Provided actionable recommendations for potential improvements to the program based on results and experience. <p>PwC continues to review the program as an independent third party and serves as the external review office, analyzing employees' disclosure statements to determine whether any actual or apparent conflicts of interest exist due to an employee's role at the organization and his/her personal interests.</p>
Benefits	<p>As a result of the work performed, the client was able to improve the compliance programs associated with its risk management of potential individual financial conflicts of interest.</p>

Set up and administration of disclosure program— Global development organization

Issues

Due to its global and high-profile nature, the client was vulnerable to reputational damage stemming from the activities and relationships of its employees. The organization sought assistance in setting up a program to identify, manage, and reduce the risks of actual, apparent, or potential conflicts of interest across its global staff base.

Approach

During the first year of the engagement, PwC assisted with the set up and administration of a disclosure program. PwC performed the following:

- Developed the business and technical requirements for the compliance program.
- Built an online disclosure system.
- Assisted in the development of the methodology for identifying and mitigating individual conflicts of interest.
- Established a training and implementation plan.
- Assisted in the definition of the roles and processes supporting financial disclosure.
- Provided management with feedback for program improvement based on lessons learned.

In subsequent years, PwC assisted the organization in adapting its processes to a growing participant base as additional departments within the organization signed on to participate. We have also helped the client respond to cultural pressures and an evolving risk tolerance.

PwC continues to review the program as an independent third party and serves as the external review office, analyzing employees' disclosure statements to determine whether any actual or apparent conflicts of interest exist due to an employee's role at the organization and his or her personal interests.

Benefits

After the first year, the client had achieved implementation of a robust conflict-of-interest compliance program. Over the past several years, the program has matured, moving from a manual submission process to an electronic one. The client has seen a positive shift in the compliance mindset and culture of the organization to one that is more compliance-centric. The program has enabled the client to identify actual and apparent conflicts of interest in a cost-effective and efficient manner, with appropriate independent review.

*Setup and administration
of disclosure program—
Large bank*

Issues	For a large international financial institution, PwC provides advice and operational support in the execution of the institution's personal financial conflict-of-interest program. This is a multi-year engagement that has evolved over time.
Approach	<p>PwC's assistance to the client involves:</p> <ul style="list-style-type: none">• Analysis of individual financial disclosure forms.• Advice related to possible approaches the institution may take to resolve identified potential, actual, or apparent financial conflicts of interest.• Advice relative to the design of the financial disclosure program and related disclosure form.• Assistance with the development of program-related tools and materials, including a glossary, frequently asked questions, and a sample annotated disclosure form.• Assistance with program administration, including reporting of weekly, monthly, and annual program status and results.• Advice as to how to structure program participant feedback workshops.
Benefits	The program has enabled the client to identify actual and apparent conflicts of interest in a cost-effective and efficient manner, with an appropriate independent review. The bank also received recommendations for enhancing program design, administration, and supporting technology.

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*To have a deeper conversation,
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"A Matter of trust: Managing individual conflicts of interest for financial institutions," PwC FS Viewpoint, June 2012. www.pwc.com/fsi

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